

Chairman Spratt, Ranking Member Ryan, and Members of the Committee:

Thank you for the opportunity to discuss the Social Security Administration's (SSA) efforts to reduce and correct improper payments and the FY 2008 Budget proposal for an adjustment in the discretionary spending caps to help increase program integrity efforts. Specifically, the proposal would provide an adjustment above a base level of funding that would allow SSA to conduct more continuing disability reviews (CDRs) and non-medical redeterminations to avoid improper payments to Social Security beneficiaries and Supplemental Security Income (SSI) recipients when factors affecting their eligibility or payment level have changed.

The proposal would provide SSA with a \$213 million cap adjustment that would allow us to conduct an additional 200,000 CDRs and 500,000 additional SSI redeterminations in FY 2008. With these efforts, we project that we would realize about \$2 billion in future program savings, with most of the savings coming in the next ten years. The return on investment from the additional \$213 million is expected to be approximately \$10 to \$1 in program savings for CDRs and \$7 to \$1 for redeterminations.

SSA uses well-founded methods for determining administrative costs and estimating future program savings for these important program integrity workloads. The projected returns on investment for these workloads are substantial and thus contribute to the solvency of the programs and help to keep benefits well targeted to those who most need them.

In the case of CDRs, we use data from our CDR tracking file and other sources to develop estimates of future program savings. When the Congress previously provided SSA with cap adjustment funding for CDRs in FY 1996 through 2002, you also required us to submit an annual report to Congress. Because we well understand the value and importance of program integrity efforts, we have been reporting this type of information for over 20 years.

SSA supports this program integrity cap adjustment proposal as a highly effective and efficient means to prevent improper payments. The balance of this testimony will describe these CDR and redetermination workloads to you in more detail.

Continuing Disability Reviews

For an individual to be entitled to disability benefits under either the Social Security Disability Insurance or SSI program, a determination must be made that the person meets the definition of disability in the Social Security Act. Most of these determinations are made by State agencies known as Disability Determination Services, or DDSs. These determinations establish whether the individual is disabled and the date the disability began. After an individual has been on the program rolls for a period of time, the DDS is also involved in the determination of whether the individual's disability continues.

Since the beginning of the disability program, Congress has required, under sections 221(i) and 1614(a) of the Social Security Act that SSA periodically review the cases of beneficiaries who receive benefits, based on disability, to determine if disability continues. When disability is established, each case is scheduled for a periodic continuing disability review. The frequency of review depends on the likelihood of medical improvement. In addition, if we receive information that a beneficiary may no longer be disabled, a CDR may be conducted earlier than scheduled.

In the early 1990s, concern over the reduced number of CDRs that SSA was doing each year began to grow. Of particular relevance, the *Contract with America Advancement Act of 1996*, P.L. 104-121, included a provision authorizing the appropriation of special funds for fiscal years 1996 through 2002 to be used exclusively to conduct CDRs. At that time, SSA estimated at least \$6 in program savings for every \$1 spent in CDR administrative costs. Based on subsequent data, we believe that CDRs are even more cost effective, with estimated savings of about \$10 to \$1 during the ten fiscal years 1996 through 2005.

The additional funding provided by P.L. 104-121 allowed SSA to embark on a seven-year plan designed to eliminate the backlog of CDRs, which had grown to between three to four million cases at the end of FY 1997. With the support of Congress, this funding outside of discretionary spending caps for SSA's CDR program allowed SSA to initiate a CDR for all of the cases in which one was due by the end of FY 2002.

Since FY 2002, however, requests totaling \$1.75 billion in dedicated funding for CDRs have not been met. This has meant that we have fallen behind in our scheduled CDRs and currently have a significant backlog.

SSA reports annually to Congress on the CDR workload. In the most recent report, SSA reported that it spent \$493 million processing CDRs in FY 2005 for an estimated present value of lifetime program benefit savings of \$5.4 billion, including Medicare and Medicaid savings, showing that CDRs continue to be a highly cost-effective program integrity tool. As I mentioned earlier, the return on investment for CDRs is about \$10 to \$1. The report for FY 2006 will be published later this year, and we expect the return on investment numbers will be consistent with previous reports.

Our past experience has shown us that additional funding through cap adjustments is effective and will help us become current on CDR processing.

The Redetermination Process

SSI is a means-tested program that provides cash assistance to aged, blind, and disabled individuals with limited income and resources. Once individuals are found eligible for benefits, changes in their living arrangements or in the amounts of their income or resources can have an effect on their benefit amount or eligibility status even if their medical condition has not changed. In order to assure that SSI payments are made in the correct amount and only to eligible individuals, SSA conducts redeterminations, which are periodic reviews of SSI non-medical eligibility factors. Redeterminations are a very effective tool to detect and prevent improper payments in the SSI program.

The purpose of a redetermination is to determine whether a recipient is still eligible for SSI and still receiving the correct payment amount. Redeterminations can be scheduled or unscheduled, and except for certain institutionalized individuals, all recipients are periodically scheduled for a review. The frequency and the intensity of these reviews depend on the probability that the case is being paid in error, which is based on a number of case characteristics, and on the level of funding available for these reviews. While SSA selects for review the cases most likely to have a payment error, even the cases unlikely to have payment error are scheduled for review at less frequent intervals. Unscheduled redeterminations are completed on an as needed basis when recipients report, or we discover, certain changes in circumstances that could affect the continuing SSI payment amount or eligibility.

The number of redeterminations we complete varies from year-to-year based

on available resources and workload requirements. In fact, fewer redeterminations were selected for processing in FY 2005 and 2006. In FY 2004, we processed over 2.2 million redeterminations, but in FY 2005 we only completed 1.7 million. In FY 2006, we conducted just over 1 million redeterminations, and it is expected that we will process a similar amount in FY 2007.

Estimating Program Savings for CDRs and Redeterminations

SSA has been reporting CDR data to Congress since 1983. Beginning with the CDR report to Congress for FY 1996, SSA has included information on the number of reviews, the disposition of such reviews, the amount spent on reviews, and the estimated future program savings for those found to be no longer eligible for benefits. The calculation of estimated future program savings for benefit cessations is critical in determining the return on investment for CDRs. This calculation reflects the duration of additional benefit receipt that would have occurred in the absence of the CDR. Estimated benefit savings reflect the likelihood of successfully appealing the CDR determination or of reapplying for benefits and becoming re-entitled. Through the years, the analysis has become more detailed and many parameters have been refined. But the expected present value of future program savings has remained about \$10 for every \$1 spent in doing CDRs. It is important to remember that this return on investment reflects Medicare and Medicaid savings as well as Old Age and Survivor and Disability Insurance savings. Also, the savings do not reflect only benefit savings in the year the CDR is completed. The actual savings for cessations in a specific year reflect expected future savings over the next 10 to 20 years in many cases.

We conduct similar analysis for estimating the results of SSI redeterminations. However, unlike CDR cessations, redeterminations can result in an individual no longer receiving benefits or continuing to receive benefits but at a different level. In some instances, an individual's benefit may decrease—e.g., due to an increase in income—while in others, the benefit may increase—e.g., due to a change in living arrangements. We estimate program savings from SSI redeterminations by adding the expected recovery of overpayments detected by the redetermination to the expected future overpayments that are avoided as a result of the redetermination. For redeterminations that will be processed with the additional funding from a cap

adjustment for FY 2008, the expected return on investment is about \$7 in program savings for every \$1 spent in conducting them.

Conclusion

The Social Security Administration is responsible for providing benefits to all qualified individuals, but only for as long as and to the extent that the benefit is warranted under law. CDRs and redeterminations are among the most important program integrity tools SSA has, and our ability to do more of them will go a long way in helping us reduce and correct improper payments for the programs SSA administers. Therefore, it is vital that the cap adjustment under consideration, that would give SSA funding to conduct additional CDRs and redeterminations, is approved. SSA appreciates this Committee's support in helping us maintain the integrity of the Social Security and SSI disability programs, and we look forward to working with you in the future.

I will be happy to answer any questions you might have.